

1 AN ACT in relation to public employee benefits.

2 Be it enacted by the People of the State of Illinois,
3 represented in the General Assembly:

4 Section 5. The Illinois Pension Code is amended by
5 changing Sections 7-118, 7-158, 7-164, 7-172, 7-205, and
6 7-206 as follows:

7 (40 ILCS 5/7-118) (from Ch. 108 1/2, par. 7-118)

8 Sec. 7-118. "Beneficiary":

9 (a) The surviving spouse of an employee or of an
10 employee annuitant, or if no surviving spouse survives, the
11 person or persons designated by a participating employee or
12 employee annuitant, or if no person so designated survives,
13 or if no designation is on file, the estate of the employee
14 or employee annuitant. The person or persons designated by a
15 beneficiary annuitant, or if no person designated survives,
16 or if no designation is on file, the estate of the
17 beneficiary annuitant. The estate of a surviving spouse
18 annuitant where the employee or employee annuitant filed no
19 designation, or no person designated survives at the death of
20 a surviving spouse annuitant. Designations of beneficiaries
21 shall be in writing on forms prescribed by the board and
22 effective upon filing in the fund offices. The designation
23 forms shall provide for contingent beneficiaries. Divorce,
24 dissolution or annulment of marriage revokes the designation
25 of an employee's former spouse as a beneficiary on a
26 designation executed before entry of judgment for divorce,
27 dissolution or annulment of marriage.

28 (b) Notwithstanding the foregoing, an employee, former
29 employee who has not yet received a retirement annuity or
30 separation benefit, or employee annuitant may elect to name
31 any person, trust or charity to be the primary beneficiary of

1 any death benefit payable by reason of his death. Such
2 election shall state specifically whether it is his intention
3 to exclude the spouse, shall be in writing, and may be
4 revoked at any time. Such election or revocation shall take
5 effect upon being filed in the fund offices.

6 (c) If a surviving spouse annuity is payable to a former
7 spouse upon the death of an employee annuitant, the former
8 spouse, unless designated by the employee annuitant after
9 dissolution of the marriage, shall not be the beneficiary for
10 the purposes of the \$5,000 ~~\$3,000~~ death benefit payable under
11 subparagraph 6 of Section 7-164. This benefit shall be paid
12 to the designated beneficiary of the employee annuitant or,
13 if there is no designation, then to the estate of the
14 employee annuitant.

15 (Source: P.A. 89-136, eff. 7-14-95; 90-448, eff. 8-16-97.)

16 (40 ILCS 5/7-158) (from Ch. 108 1/2, par. 7-158)

17 Sec. 7-158. Surviving spouse annuities - Options. In
18 lieu of the surviving spouse annuity an eligible surviving
19 spouse shall have the option of receiving other benefits as
20 follows:

21 1. The surviving spouse of a participating employee may
22 elect to receive either a single sum death benefit or a
23 surviving spouse annuity and the \$5,000 ~~\$3,000~~ death benefit
24 provided in Sections 7-163 and 7-164.

25 2. The surviving spouse of an employee, who has
26 separated from service and would have been entitled to a
27 retirement annuity on date of death, may elect to receive
28 either a single sum death benefit or a surviving spouse
29 annuity and the \$5,000 ~~\$3,000~~ death benefit provided in
30 Sections 7-163 and 7-164.

31 3. If any surviving spouse annuity is payable prior to
32 the earliest age at which the recipient will become eligible
33 for a widows' or widowers' insurance benefit under the

1 Federal Social Security Act, the recipient may elect that the
 2 annuity payments from this fund shall exceed those payable
 3 after attaining such age by an amount not in excess of the
 4 estimated Social Security Benefit, determined as of the
 5 effective date of the surviving spouse annuity, provided that
 6 in no case shall the total annuity payments made by this fund
 7 exceed in actuarial value the annuity which would have been
 8 paid had no such election been made.

9 4. The surviving spouse of a participating employee,
 10 whose annuity was suspended upon return to employment and who
 11 had one year or more of service after his return, may apply
 12 the additional service credits to a supplemental surviving
 13 spouse annuity and receive the \$5,000 ~~\$3,000~~ death benefit or
 14 apply the additional service credits to a single sum death
 15 benefit and forego the \$5,000 ~~\$3,000~~ death benefit payable
 16 upon the death of an annuitant.

17 5. The surviving spouse of a participating employee,
 18 whose annuity was suspended upon return to employment and who
 19 had less than one year of service after his return, shall
 20 have the additional service credits applied towards a
 21 supplemental surviving spouse annuity and shall receive the
 22 \$5,000 ~~\$3,000~~ death benefit.

23 (Source: P.A. 85-941.)

24 (40 ILCS 5/7-164) (from Ch. 108 1/2, par. 7-164)

25 Sec. 7-164. Death benefits - Amount. The amount of the
 26 death benefit shall be:

27 1. Upon the death of an employee with at least one year
 28 of service occurring while in an employment relationship
 29 (including employees drawing disability benefits) with a
 30 participating municipality or participating instrumentality,
 31 an amount equal to the sum of:

32 (a) The employee's normal, additional and survivor
 33 credits, including interest credited thereto through the

1 end of the preceding calendar year, but excluding credits
2 and interest thereon allowed for periods of disability.

3 (b) An amount equal to the employee's annual final
4 rate of earnings. An employee who dies as a result of
5 injuries connected with his duties shall be considered to
6 have a year of service for purposes of this benefit.

7 2. Upon the death of an employee with less than 1 year
8 of service occurring while in the service of any
9 participating municipality or instrumentality, an amount
10 equal to the sum of his accumulated normal, additional and
11 survivor credits on the date of death, excluding those
12 credits and interest thereon allowed during periods of
13 disability.

14 3. Upon the death of an employee who has separated from
15 service and was not entitled to a retirement annuity on the
16 date of death, an amount equal to the sum of his accumulated
17 normal, survivor and additional credits on the date of death
18 excluding those credits and interest thereon allowed during
19 periods of disability.

20 4. Upon the death of an employee in an employment
21 relationship, or an employee who has service and was entitled
22 to a retirement annuity on the date of death, when a
23 surviving spouse or child annuity is awarded, \$5,000 \$3,000.

24 5. Upon the death of an employee, who has separated from
25 service and was entitled to a retirement annuity on the date
26 of death, and no surviving spouse or child annuity is
27 awarded, \$5,000 \$3,000 plus an amount equal to his
28 accumulated normal, survivor and additional credits on the
29 date of death, excluding those credits and interest earned
30 thereon allowed during periods of disability.

31 6. Upon the death of an employee annuitant, \$5,000
32 \$3,000 and, unless a surviving spouse, child or reversionary
33 annuity is payable, the sum of (i) the excess of the normal
34 and survivor credits, excluding those allowed during periods

1 of disability, which the annuitant had as of the effective
2 date of his annuity over the total annuities paid pursuant to
3 paragraph (a) 1 of Section 7-142 to the date of death, plus
4 (ii) the excess of the additional credits, excluding any such
5 credits used to create a reversionary annuity, used to
6 provide the annuity granted pursuant to paragraph (a) 2 of
7 Section 7-142 over the total annuity payments made pursuant
8 thereto to the time of death.

9 7. Upon the death of an annuitant receiving a
10 reversionary annuity or of a person designated to receive a
11 reversionary annuity prior to the receipt of such annuity the
12 sum of the additional credits of the person creating the
13 reversionary annuity as of the effective date of his own
14 retirement annuity over the reversionary annuity payments, if
15 any, made prior to the date of death of such annuitant or
16 person designated to receive the reversionary annuity.

17 8. Upon the death of an annuitant receiving a
18 beneficiary annuity which was effective before January 1,
19 1986, the excess of the death benefit which was used to
20 provide the annuity, over the sum of all annuity payments
21 made to the beneficiary. Upon the death of an annuitant
22 receiving a beneficiary annuity effective January 1, 1986 or
23 thereafter, the sum of (i) the excess of the normal and
24 survivor credits, excluding those allowed during periods of
25 disability, which the annuitant had as of the effective date
26 of his annuity over the total annuities paid pursuant to
27 paragraph (c) of Section 7-165, to date of death, plus (ii)
28 the excess of the additional credits, excluding any such
29 credits used to create a reversionary annuity, used to
30 provide the annuity granted pursuant to paragraph (d) of
31 Section 7-165 over the total annuity payments made pursuant
32 thereto to the time of death.

33 9. Upon the marriage prior to reaching age 55 (except
34 for a surviving spouse who remarries after December 31, 2000)

1 or death of a person receiving a surviving spouse annuity,
2 unless a child annuity is payable, the sum of (i) the excess
3 of the normal and survivor credits, excluding those credits
4 and interest thereon allowed during periods of disability,
5 attributable to the employee at the effective date of the
6 annuity or date of death, whichever first occurred, over the
7 total of all annuity payments attributable to paragraph (a) 1
8 of Section 7-142 made to the employee or surviving spouse
9 plus (ii) the excess of the additional credits, excluding any
10 such credits used to create a reversionary annuity or used to
11 provide the annuity attributable to paragraph (a) 2 of
12 Section 7-142 over the total of such payments.

13 10. Upon the marriage, death or attainment of age 18 of
14 a child receiving a child annuity, if no other child
15 annuities are payable, the sum of (i) the excess of the
16 normal and survivor credits excluding those credits and
17 interest thereon allowed during periods of disability, of the
18 employee at the effective date of the annuity or date of
19 death, whichever first occurred, over the total annuity
20 payments attributable to paragraph (a) 1 of Section 7-142
21 made to the employee, surviving spouse and children plus (ii)
22 the excess of the additional credits, excluding any such
23 credits used to create a reversionary annuity, used to
24 provide the annuity attributable to paragraph (a) 2 of
25 Section 7-142 over the total annuity payments made to the
26 employee, surviving spouse and children, pursuant thereto.

27 11. Upon the death of the participating employee whose
28 annuity was suspended upon his return to employment:

29 a. If a surviving spouse or child annuity is
30 awarded, \$5,000 \$3,000;

31 b. If no surviving spouse or child annuity is
32 awarded and he had less than one year's service upon
33 return, \$5,000 \$3,000 plus the excess of the normal,
34 survivor and additional credits, including interest

1 thereon, but excluding those allowed during a period of
2 disability, at the effective date of the suspended
3 annuity, plus those allowed after his return, over all
4 annuity payments made to the employee;

5 c. If no surviving spouse or child annuity is
6 awarded and he has one year or more of service upon
7 return, the higher of (a) the payment under subparagraph
8 b of this paragraph or (b) the payment under paragraph 1
9 of this Section, taking into consideration only the
10 service and credits allowed after his return, plus the
11 excess of the normal, survivor and additional credits,
12 including interest thereon, excluding those allowed
13 during periods of disability, at the effective date of
14 his suspended annuity over all annuity payments made to
15 the employee.

16 12. The \$3,000 or \$5,000 death benefit provided in
17 paragraphs 4 and 6 shall not be payable to beneficiaries of
18 persons who terminated service prior to September 8, 1971,
19 unless the payment or agreement for payment provided by
20 Section 7-144.2 of this Article is made prior to the date of
21 death.

22 Increase in certain death benefits from \$3,000 to \$5,000
23 provided by this amendatory Act of the 92nd General Assembly
24 applies to deaths that occur on or after the effective date
25 of this amendatory Act, without regard to whether the
26 deceased person was in service on or after that date.

27 13. The increase in certain death benefits from \$1,000
28 to \$3,000 provided by this amendatory Act of 1987 shall apply
29 only to deaths occurring on or after January 1, 1988.

30 (Source: P.A. 91-887, eff. 7-6-00.)

31 (40 ILCS 5/7-172) (from Ch. 108 1/2, par. 7-172)

32 Sec. 7-172. Contributions by participating
33 municipalities and participating instrumentalities.

1 (a) Each participating municipality and each
2 participating instrumentality shall make payment to the fund
3 as follows:

4 1. municipality contributions in an amount
5 determined by applying the municipality contribution rate
6 to each payment of earnings paid to each of its
7 participating employees;

8 2. an amount equal to the employee contributions
9 provided by paragraphs (a) and (b) of Section 7-173,
10 whether or not the employee contributions are withheld as
11 permitted by that Section;

12 3. all accounts receivable, together with interest
13 charged thereon, as provided in Section 7-209;

14 4. if it has no participating employees with
15 current earnings, an amount payable which, over a period
16 of 20 years beginning with the year following an award of
17 benefit, will amortize, at the effective rate for that
18 year, any negative balance in its municipality reserve
19 resulting from the award. This amount when established
20 will be payable as a separate contribution whether or not
21 it later has participating employees.

22 (b) A separate municipality contribution rate shall be
23 determined for each calendar year for all participating
24 municipalities together with all instrumentalities thereof.
25 The municipality contribution rate shall be determined for
26 participating instrumentalities as if they were participating
27 municipalities. The municipality contribution rate shall be
28 the sum of the following percentages:

29 1. The percentage of earnings of all the
30 participating employees of all participating
31 municipalities and participating instrumentalities which,
32 if paid over the entire period of their service, will be
33 sufficient when combined with all employee contributions
34 available for the payment of benefits, to provide all

1 annuities for participating employees, and the \$5,000
2 \$3,000 death benefit payable under Sections 7-158 and
3 7-164, such percentage to be known as the normal cost
4 rate.

5 2. The percentage of earnings of the participating
6 employees of each participating municipality and
7 participating instrumentalities necessary to adjust for
8 the difference between the present value of all benefits,
9 excluding temporary and total and permanent disability
10 and death benefits, to be provided for its participating
11 employees and the sum of its accumulated municipality
12 contributions and the accumulated employee contributions
13 and the present value of expected future employee and
14 municipality contributions pursuant to subparagraph 1 of
15 this paragraph (b). This adjustment shall be spread over
16 the remainder of the period of 40 years from the first of
17 the year following the date of determination.

18 3. The percentage of earnings of the participating
19 employees of all municipalities and participating
20 instrumentalities necessary to provide the present value
21 of all temporary and total and permanent disability
22 benefits granted during the most recent year for which
23 information is available.

24 4. The percentage of earnings of the participating
25 employees of all participating municipalities and
26 participating instrumentalities necessary to provide the
27 present value of the net single sum death benefits
28 expected to become payable from the reserve established
29 under Section 7-206 during the year for which this rate
30 is fixed.

31 5. The percentage of earnings necessary to meet any
32 deficiency arising in the Terminated Municipality
33 Reserve.

34 (c) A separate municipality contribution rate shall be

1 computed for each participating municipality or participating
2 instrumentality for its sheriff's law enforcement employees.

3 A separate municipality contribution rate shall be
4 computed for the sheriff's law enforcement employees of each
5 forest preserve district that elects to have such employees.
6 For the period from January 1, 1986 to December 31, 1986,
7 such rate shall be the forest preserve district's regular
8 rate plus 2%.

9 In the event that the Board determines that there is an
10 actuarial deficiency in the account of any municipality with
11 respect to a person who has elected to participate in the
12 Fund under Section 3-109.1 of this Code, the Board may adjust
13 the municipality's contribution rate so as to make up that
14 deficiency over such reasonable period of time as the Board
15 may determine.

16 (d) The Board may establish a separate municipality
17 contribution rate for all employees who are program
18 participants employed under the Federal Comprehensive
19 Employment Training Act by all of the participating
20 municipalities and instrumentalities. The Board may also
21 provide that, in lieu of a separate municipality rate for
22 these employees, a portion of the municipality contributions
23 for such program participants shall be refunded or an extra
24 charge assessed so that the amount of municipality
25 contributions retained or received by the fund for all CETA
26 program participants shall be an amount equal to that which
27 would be provided by the separate municipality contribution
28 rate for all such program participants. Refunds shall be
29 made to prime sponsors of programs upon submission of a claim
30 therefor and extra charges shall be assessed to participating
31 municipalities and instrumentalities. In establishing the
32 municipality contribution rate as provided in paragraph (b)
33 of this Section, the use of a separate municipality
34 contribution rate for program participants or the refund of a

1 portion of the municipality contributions, as the case may
2 be, may be considered.

3 (e) Computations of municipality contribution rates for
4 the following calendar year shall be made prior to the
5 beginning of each year, from the information available at the
6 time the computations are made, and on the assumption that
7 the employees in each participating municipality or
8 participating instrumentality at such time will continue in
9 service until the end of such calendar year at their
10 respective rates of earnings at such time.

11 (f) Any municipality which is the recipient of State
12 allocations representing that municipality's contributions
13 for retirement annuity purposes on behalf of its employees as
14 provided in Section 12-21.16 of the Illinois Public Aid Code
15 shall pay the allocations so received to the Board for such
16 purpose. Estimates of State allocations to be received
17 during any taxable year shall be considered in the
18 determination of the municipality's tax rate for that year
19 under Section 7-171. If a special tax is levied under
20 Section 7-171, none of the proceeds may be used to reimburse
21 the municipality for the amount of State allocations received
22 and paid to the Board. Any multiple-county or consolidated
23 health department which receives contributions from a county
24 under Section 11.2 of "An Act in relation to establishment
25 and maintenance of county and multiple-county health
26 departments", approved July 9, 1943, as amended, or
27 distributions under Section 3 of the Department of Public
28 Health Act, shall use these only for municipality
29 contributions by the health department.

30 (g) Municipality contributions for the several purposes
31 specified shall, for township treasurers and employees in the
32 offices of the township treasurers who meet the qualifying
33 conditions for coverage hereunder, be allocated among the
34 several school districts and parts of school districts

1 serviced by such treasurers and employees in the proportion
2 which the amount of school funds of each district or part of
3 a district handled by the treasurer bears to the total amount
4 of all school funds handled by the treasurer.

5 From the funds subject to allocation among districts and
6 parts of districts pursuant to the School Code, the trustees
7 shall withhold the proportionate share of the liability for
8 municipality contributions imposed upon such districts by
9 this Section, in respect to such township treasurers and
10 employees and remit the same to the Board.

11 The municipality contribution rate for an educational
12 service center shall initially be the same rate for each year
13 as the regional office of education or school district which
14 serves as its administrative agent. When actuarial data
15 become available, a separate rate shall be established as
16 provided in subparagraph (i) of this Section.

17 The municipality contribution rate for a public agency,
18 other than a vocational education cooperative, formed under
19 the Intergovernmental Cooperation Act shall initially be the
20 average rate for the municipalities which are parties to the
21 intergovernmental agreement. When actuarial data become
22 available, a separate rate shall be established as provided
23 in subparagraph (i) of this Section.

24 (h) Each participating municipality and participating
25 instrumentality shall make the contributions in the amounts
26 provided in this Section in the manner prescribed from time
27 to time by the Board and all such contributions shall be
28 obligations of the respective participating municipalities
29 and participating instrumentalities to this fund. The
30 failure to deduct any employee contributions shall not
31 relieve the participating municipality or participating
32 instrumentality of its obligation to this fund. Delinquent
33 payments of contributions due under this Section may, with
34 interest, be recovered by civil action against the

1 participating municipalities or participating
2 instrumentalities. Municipality contributions, other than
3 the amount necessary for employee contributions and Social
4 Security contributions, for periods of service by employees
5 from whose earnings no deductions were made for employee
6 contributions to the fund, may be charged to the municipality
7 reserve for the municipality or participating
8 instrumentality.

9 (i) Contributions by participating instrumentalities
10 shall be determined as provided herein except that the
11 percentage derived under subparagraph 2 of paragraph (b) of
12 this Section, and the amount payable under subparagraph 5 of
13 paragraph (a) of this Section, shall be based on an
14 amortization period of 10 years.

15 (Source: P.A. 90-448, eff. 8-16-97.)

16 (40 ILCS 5/7-205) (from Ch. 108 1/2, par. 7-205)

17 Sec. 7-205. Reserves for annuities. Appropriate reserves
18 shall be created for payment of all annuities granted under
19 this Article at the time such annuities are granted and in
20 amounts determined to be necessary under actuarial tables
21 adopted by the Board upon recommendation of the actuary of
22 the fund. All annuities payable shall be charged to the
23 annuity reserve.

24 1. Amounts credited to annuity reserves shall be derived
25 by transfer of all the employee credits from the appropriate
26 employee reserves and by charges to the municipality reserve
27 of those municipalities in which the retiring employee has
28 accumulated service. If a retiring employee has accumulated
29 service in more than one participating municipality or
30 participating instrumentality, aggregate municipality charges
31 shall be prorated on a basis of the employee's earnings in
32 case of concurrent service and creditable service in other
33 cases.

1 2. Supplemental annuities shall be handled as a separate
2 annuity and amounts to be credited to the annuity reserve
3 therefor shall be derived in the same manner as a regular
4 annuity.

5 3. When a retirement annuity is granted to an employee
6 with a spouse eligible for a surviving spouse annuity, there
7 shall be credited to the annuity reserve an amount to fund
8 the cost of both the retirement and surviving spouse annuity
9 as a joint and survivors annuity.

10 4. Beginning January 1, 1989, when a retirement annuity
11 is awarded, an amount equal to the present value of the
12 \$3,000 or \$5,000 death benefit payable upon the death of the
13 annuitant shall be transferred to the annuity reserve from
14 the appropriate municipality reserves in the same manner as
15 the transfer for annuities.

16 5. All annuity reserves shall be revalued annually as of
17 December 31. Beginning as of December 31, 1973, adjustment
18 required therein by such revaluation shall be charged or
19 credited to the earnings and experience variation reserve.

20 6. There shall be credited to the annuity reserve all of
21 the payments made by annuitants under Section 7-144.2, plus
22 an additional amount from the earnings and experience
23 variation reserve to fund the cost of the incremental
24 annuities granted to annuitants making these payments.

25 7. As of December 31, 1972, the excess in the annuity
26 reserve shall be transferred to the municipality reserves.
27 An amount equal to the deficiency in the reserve of
28 participating municipalities and participating
29 instrumentalities which have no participating employees shall
30 be allocated to their reserves. The remainder shall be
31 allocated in amounts proportionate to the present value, as
32 of January 1, 1972, of annuities of annuitants of the
33 remaining participating municipalities and participating
34 instrumentalities.

1 (Source: P.A. 89-136, eff. 7-14-95.)

2 (40 ILCS 5/7-206) (from Ch. 108 1/2, par. 7-206)

3 Sec. 7-206. Death Reserve. All death benefit payments
4 shall be charged to the Death Reserve, other than the \$3,000
5 or \$5,000 death benefits paid after December 31, 1988 upon
6 the death of an annuitant. All contributions for death
7 purposes under Section 7-172(b)4 shall be credited to the
8 same reserve. Whenever the balance in such reserve at the
9 close of a year exceeds 100% of the average annual charges to
10 this account during the 3 preceding calendar years, the basic
11 actuarial assumptions upon which municipality contribution
12 rates for these purposes are based, shall be reviewed and
13 revised in such manner as is deemed necessary to reduce such
14 balance.

15 (Source: P.A. 89-136, eff. 7-14-95.)

16 Section 90. The State Mandates Act is amended by adding
17 Section 8.25 as follows:

18 (30 ILCS 805/8.25 new)

19 Sec. 8.25. Exempt mandate. Notwithstanding Sections 6
20 and 8 of this Act, no reimbursement by the State is required
21 for the implementation of any mandate created by this
22 amendatory Act of the 92nd General Assembly.

23 Section 99. Effective date. This Act takes effect upon
24 becoming law.